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MEMORANDUM FOR: Legislative Counsel

SUBJECT: S. 3507 and H.R. 9462 - To authorize the Civil Service Commission to Make Available Group Life Insurance for Civilian Officers and Employees in the Federal Service, and for other Purposes

1. S. 3507 and H.R. 9462 would authorize the Commission to make group life insurance available to civilian officers and employees in the Federal service. In brief, it provides for the following benefits and costs:

a. Benefits and Prerogatives

(1) Employees would be insured automatically for an amount approximating their annual salary under a group life insurance plan with an additional equal amount of benefits in case of accidental death, i.e., a so-called double indemnity feature.

(2) In addition, the insurance would provide dismemberment benefits in accordance with a schedule to be established by the Commission.

(3) Normally, the insurance would be carried by the individual during the period of his employment with the government and would be terminated when he separates, except that if he has 15 years' creditable service and retires on an immediate annuity, the policy could be carried until he reaches the age of 65, at no expense to the individual. After the age of 65, the face value of the insurance would be reduced at a rate of 2 per cent per month to a minimum amount to be prescribed by the Commission, but not less than 25 per cent of the insurance in force at the time the reduction process begins.

(4) After an employee has reached the age of 65, or one year after the date he is first insured, whichever is the later, the face value of the insurance shall decrease by 2 per cent per month until it reaches a minimum established by the Commission, which shall be not less than 25 per cent of the face value of the policy at the time the reduction process begins. The premium cost will remain at the same level.

(5) The insurance could be converted to an individual life policy (at higher premium rates, it is assumed) when an employee separates from Government service.

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(6) Employees may decline insurance by informing their employing agency that they do not want it.

b. Costs

(1) Each insured employee will pay a premium rate not to exceed 25 cents biweekly (\$.50 per month, or \$6.50 per year) per \$1,000 of insurance. Payment will be made by payroll deduction. The precise amount of the premiums will be set by the Commission.

(2) The agency, from the funds appropriated to pay its personnel, will contribute an additional sum not to exceed one-half the amount withheld from the employee.

2. The premium rates for this insurance, even at the maximum of 25 cents biweekly per \$1,000, would be comparatively low for the individual. However, the rates will be generally higher than those for National Service Life Insurance considering its current rebate levels. The [redacted] group life insurance for this Agency may also have more favorable premium rates if our recent experience rating with WEAPA insurance does not worsen and premium excesses are rebated to the policy holder.

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3. The proposed insurance program would produce security problems similar to those we have had in the past. It would be necessary to establish procedures to overcome the problems of giving another agency names or numbers of CIA employees. It might be necessary to confine the program to certain categories of Agency personnel.

4. It is recommended that in view of the low cost of this insurance, and because other government employees would be able to procure it, that the Agency indicate its support of the program if it is appropriate to do so in view of the action being taken to "table" it for the remainder of this session. The Office of Personnel will work with the Security Office in devising a secure method for handling this program if the measure should be enacted into law.

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[redacted]
George C. Meloon
Deputy Assistant Director
for Personnel

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